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HAROLD B. WILLEY

In The

SUPREME COURT OF THE UNITED STATES

October Term, 1954.

No. 783 66

RIVERBANK LABORATORIES, A Corporation,
Petitioner,

vs.

HARDWOOD PRODUCTS CORPORATION,
A Corporation,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION

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QUESTIONS PRESENTED

1. Petitioner's first question (points 1 and 2 of Petitioner's reasons) does not involve constitutional principles of due process, governed by *International Shoe Co. v. Washington,* 326 U.S. 310; 66 S. Ct. 154; 90 L. Ed. 95 (1945), as petitioner seeks to make it appear. Instead it involves the question of the proper application of the language of 28 U.S.C. § 1391(c).

2. Petitioner's second question (point 3 of petitioner's reasons), rather than involving Illinois doctrine, in-

volves a mere factual contention which was offered to and rejected by the lower court.

STATUTE

The applicable statute, omitted from the petition, and controlling in diversity cases involving a corporate defendant, is:

Title 28 U.S.C., § 1391(c). A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

STATEMENT

Because petitioner may have created an unwarranted impression by stating that "This case was heard on the merits", was reviewed "on the merits", and was "fully briefed and argued on the merits", and that the Court of Appeals' decision means that the case "must be retried by another Federal District Court", (Petition p. 10) it is necessary for respondent to extend and correct the statement as presented by petitioner. This case has not been tried (R. 192).

Commencing at a date even prior to the issue of "the patent", defendant began manufacturing and paying royalty upon the "unique sound insulating door" of the patent. Petitioner remained the exclusive licensee or the only one licensed to make the doors of the patent throughout the life of the patent up to the date of its expiration (R. 7). Throughout all of this period, the doors were admittedly sold in the trade as Riverbank sound insulating doors to indicate that they were the doors covered by the licensed patent.

Before the license terminated, respondent informed petitioner that the doctrine of *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169; 16 S. Ct. 1002; 41 L. Ed. 118 (1896) would apply upon expiration of the patent. It was respondent's position that the public, including respondent, would then acquire the right to continue to designate the "unique" doors of the patent by the word Riverbank, the only name which had been attached to them (R. 7, 8).

Respondent countered by starting this suit before termination of the license. While the suit was thus pending *and before trial,* respondent brought its motion to dismiss for lack of proper venue under 28 U.S.C. § 1391(c), (R. 15). Petitioner opposed and brought its own motion *before trial* to preliminarily enjoin respondent from use of the word Riverbank (R. 140). Respondent's motion was denied (R. 183) and petitioner's motion granted and an injunction issued (R. 189-196). Appeal to the Court of Appeals was taken from the District Court's *interlocutory* order granting the injunction. The Court of Appeals reversed for lack of proper venue, 220 F. 2d 465.

The injunction was issued, not after a trial upon the merits, as petitioner implies, but upon a preliminary motion based on depositions and the showing of affidavits. The effect of the injunction has been to deprive the public and respondent of their rights, without trial, under *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169; 16 S. Ct. 1002; 41 L. Ed. 118 (1896).

The eight points of petitioner's statement, (P. 3) used as a basis for its "Reasons", are set forth without any indication of the extent to which they are controverted. As an instance, point (e) at the bottom of Page 3 of the

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petition, would make it appear that doors, remaining the property of respondent, were made into fireproof doors by manufacturing operations conducted by or for respondent in Illinois. To the extent that this impression is given, the statement is misleading. Respondent has never had any manufacturing facilities in the State of Illinois and has conducted all of its manufacturing in Wisconsin. The facts, as to the doors referred to in point (e), are that respondent sold some sound insulating door units (made in Wisconsin) to Illinois manufacturers who rebuilt these units into doors which these manufacturers then sold for their own account (R. 50).

As to sub-topics (f) and (g) on Page 4 of the petition, emphasis is placed which is not in accordance with the record. This misplaced factual emphasis was urged upon and rejected by the court below. The shipment of closers direct to the customers was incidental and infrequent (R. 26). The duties of the defendant's Chicago sales representatives were essentially sales duties and only incidentally duties of the nature emphasized by petitioner (R. 104).

REASONS FOR DENYING THE WRIT

1. The Petition seeks a construction of a Federal statute [28 U.S.C. 1391 §(c)] not set out in the petition. The action is between corporations organized in different states; petitioner in Illinois, respondent in Wisconsin, upon which diversity, recourse to Federal Court was sought in an otherwise ordinary civil controversy. Congress prescribes for purposes of venue in such cases: (1) a district where defendant is incorporated, or (2) a district where defendant is licensed to do business, or (3) a

district where defendant is doing business. Each of these tests is dependent upon the law of the State of the forum.

Whether incorporated or not, and where, is obviously to be tested by the statutes of the State granting the charter. Whether licensed to do business or not is clearly a question of the requirements of the State issuing the license. The admittedly prevailing rule, which appears to have been followed without exception, is that "doing business" is likewise to be tested by the requirements of the State in which venue is asserted in accordance with *Erie R. Co. v. Tompkins*, 304 U.S. 64; 58 S.Ct. 817; 82 L.Ed. 1188 (1938). The rule thus is not "a rare example", as petitioner claims, but on the contrary it is entirely consistent with the companion provisions of the statute.

The sweeping change which petitioner proposes and upon which petitioner depends as its reason for granting the writ is not in accordance with any broad new principles. The case of *Polizzi v. Cowles Magazines, Inc.*, 345 U.S. 663; 73 S. Ct. 900; 97 L. Ed. 1331 (1953), heavily relied upon by petitioner, far from dealing with any broad general principle, was decided upon the narrow question of the specific requirements of the removal statute, 28 U.S.C. § 1404(a). The court held that 28, U.S.C. § 1391(c), which is controlling in the instant case, was without bearing in the *Polizzi* case. Anything else contained in that decision is obiter.

2. Petitioner strains to present a conflict, but has not the temerity to assert *in haec verba* that a conflict exists. Petitioner extends its proposition tentatively by stating there is confusion amounting to a conflict, but cites no decision holding that "doing business" under 28 U.S.C. § 1391(c) is to be determined otherwise than by the rule of the State comprising the district in question.

The first decision said to show "confusion" is *Scholnik v. International Airlines, Inc.*, 219 F. 2d 115 (C.A. 6 1955), certiorari denied, ... U.S. ..... This case is pointed to as abandoning the prevailing view and refusing to be bound by the requirements of the forum, but nowhere in this opinion is there any statement that the requirements of Ohio as to "doing business" were inconsistent with the result reached. The litigants in that case debated and the court considered the applicability of certain cases dealing strictly with common carriers, principally, *Green v. Chicago, Burlington & Quincy Ry. Co.*, 205 U.S. 530; 27 S. Ct. 595; 51 L. Ed. 916 (1907), and *Philadelphia & Reading Ry. Co. v. McKibbin*, 243 U.S. 264; 37 S. Ct. 280; 61 L. Ed. 702 (1917). Whether the minimum requirements of due process were satisfied was evidently hotly contested, but the applicability of *Erie R. Co. v. Tompkins*, as a measure of "doing business" appears neither to have been challenged nor even discussed.

The second decision claimed to reveal "confusion" in the circuits is *Woodworkers' Tool Works v. Byrne*, 191 F. 2d 667 (C.A. 9 1951) but this case was decided without discussion of either the scope or applicability of the local state (California) rule. The decision turned upon and held that there had been a failure to meet even the minimum requirements of due process, outlined in *International Shoe Co. v. Washington*, 326 U.S. 310; 66 S. Ct. 154; 90 L. Ed. 95 (1945). There is nothing contained in the decision showing that the 9th Circuit, in a proper case, would hesitate to apply the prevailing rule.

The third and the only remaining decision claimed by petitioner to reflect "confusion" is *Partin v. Michaels Art Bronze Co.*, 202 F. 2d 541 (C.A. 3 1953). The petitioner lends the impression that the judges of the Court of Ap-

peals of the 3rd Circuit are here shown to be in conflict on this issue. The petition states that they are split. The decision in the *Partin* case, however, is in strict accord with the prevailing rule and in accordance with *Erie R. Co. v. Tompkins*. The decision applies the law of the forum, that is of Pennsylvania, as determined by the courts of that State. There was no dissent, but in a separate concurring opinion Chief Judge Biggs, by way of obiter, expresses a doubt as to the applicability of *Erie R. Co. v. Tompkins*. This doubt has not carried so far as to produce a split in the decisions of the Court of Appeals of the 3rd Circuit.

The thing which petitioner ignores is the clear directions which this court has given, e.g., that for purposes of diversity jurisdiction, a Federal Court is "* * in effect, only another court of the state, * *" *Guaranty Trust Co. v. York*, 326 U.S. 99, 108; 64 S. Ct. 1464; 89 L. Ed. 2079, 2086 (1945). This being true, orderly procedure requires that a corporation, not suable in the courts of a foreign State should not be subjected to the jurisdiction of a Federal Court sitting, in effect, as a court of that State.

This question arose although in somewhat different form in *Angel v. Bullington*, 330 U.S. 183, 192; 67 S. Ct. 657; 91 L. Ed. 832, 838 (1947). There the litigants were private individuals but applicability of the local State rule controlled the conclusions. The observation was made:

> "Cases like *Lipton's Sons Co. v. Automobile Club*, 225 U.S. 489, are obsolete in so far as they are based on a view of diversity jurisdiction which came to an end with *Erie Railroad v. Tompkins*, 304 U.S. 64. That decision drastically limited the power of federal district courts to entertain suits in diversity cases that could not be brought in the respective State courts or were barred by defenses controlling in the State courts. * * *"

This court thus, with foresight, gave the direction which has matured into the admittedly prevailing rule, now effectively enforced (without any exception as yet adduced) throughout the circuits. There would appear to be no sound reason for upsetting orderly processes based upon the prevailing rule which was applied below.

3. Petitioner's last point is that the Court of Appeals did not adhere to the Illinois rule which it purported to follow. Petitioner's objection in this regard is based on its own heavily overdrawn interpretation of the facts as shown of record. Respondent's headquarters are in Neenah, Wisconsin. If respondent was without right under *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169; 16 S. Ct. 1002; 41 L. Ed. 118 (1896), to continue to apply the word Riverbank to the unique doors of the expired patent, then it was at Neenah, Wisconsin, that the act, causing the injury complained of, occurred. It was there that respondent manufactured the doors and placed the name, Riverbank, upon them. It was there that respondent accepted and filled the orders which were placed with it for such doors.

Petitioner strongly and erroneously urged upon the Court of Appeals below that the enjoined activity of respondent was centered in Chicago. The facts simply do not bear this out (R. p. 16-19). Petitioner repeatedly made the assertion that respondent's business in sound insulating doors centered in and about Chicago, but the Court of Appeals having considered the representation and the record, and having in detail discussed each of the items of proof which petitioner offered, held that the record did not show the defendant's business in sound insulating doors to be centered in and about Chicago.

Petitioner now shifts the emphasis and complains that the injury enjoined occurred in Illinois. This is but a restatement of its original theme and also is contrary to the proof.

CONCLUSION

Orderly administration would not be served by injecting a new exception to *Erie R. Co. v. Tompkins*. No conflict has been shown. This court should not be asked to review a fact issue of no public interest. The Petition should be denied.

Respectfully,

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Dated June 7, 1955.